



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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August 14, 2001

Mr. Rick York
Moab Salt, LLC
Cane Creek Mine
P.O. Box 1208
Moab, Utah 84532

Re: Bond Recalculation Review, Moab Salt, LLC, Cane Creek Mine, M/019/005, Grand County, Utah

Dear Mr. York:

Thank you for your response to our recent bond recalculation for Moab Salt's Cane Creek Mine. Moab Salt's May 11, 2001 submittal, proposes many changes to the presently approved reclamation plan for the Cane Creek Mine. Technical staff members have been reviewing these changes to gain an understanding of how they will impact the final reclamation plan and bond. It has been difficult to perform a streamlined review of the revised reclamation plan because the proposed changes are not easily identified. The new proposal must be compared and contrasted against the approved mine plan line by line to determine what has changed. A *redlined/strike-out* version of the proposed changes to the reclamation plan would be helpful and shorten the time required to complete our review of the submittal.

We are quite concerned with the amount of variation between our reclamation estimate and the latest estimate submitted by EarthFax. We have reviewed the revised reclamation costs, but cannot respond to the proposed changes because little back-ground data was provided to support the new cost estimate projections.

The Division uses the Cat Handbook, Means 2000 & Blue Book 3Q/00 to calculate equipment rental rates and reclamation costs. These tools are industry standards for estimating project costs. We are uncertain how EarthFax arrived at the costs that were assigned to many of the reclamation tasks; including the following:

- The proposed bonding costs associated with concrete and building demolition are less than half the Division's cost projections. How were these reduced costs determined?
- EarthFax's comments regarding their differences with the Division's bond estimate include: *different inflation factors – different concrete and demolition factors – still exists, not included in EarthFax est. (why?) – different unit costs – not addressed – assumed to be salvaged – etc.* (to assume that any of the structures or material will have salvage value after +50 more years of use is not an acceptable assignment at this time). These statements are not an acceptable justification for bonding reductions.

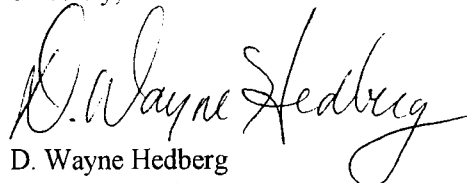
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- In the Plant Site area of the bonding calculation, EarthFax has reduced the Division's cost for the plant site (regrading cut & fill) from a total of \$461,645 to \$281,780. The figures used in the Division's bond estimate were taken from EarthFax's 1997 estimate. What changes were made to this area to reduce the cost of completing this task? Within the dams & catch ponds portion of the bond, EarthFax states that the removal of the dams is included in the evaporation pond regrading costs; we are unable to verify this. Unless sufficient supporting documentation is furnished, combining activities that are presently listed separately in the Division's bond estimate is difficult to assess and respond to.
- EarthFax's calculations also do not include demolition and reclamation costs for many of the existing structures/buildings at the site. The justification for leaving these facilities unreclaimed is tied to the future recreational potential of the area, possible post-mining land development, and the continued use of these facilities for these purposes. Because the present mine life is projected at 50+ years, the Division is unable to accept this as a viable post-mine land use at this time.

The reclamation surety must provide sufficient funding for the State to reclaim the mine at any point in time, should the operation fail and the operator is unable to finance closure and perform reclamation of the site. We believe it is unrealistic to project the post mine land use and the condition of a facility 50+ years into the future. Therefore, the Division will review the possible post-mining land use of these structures as the project nears the end of its productive life. We will be in a better position to judge their potential or continued use at that time and can adjust the bond amount accordingly.

Division staff will continue their evaluation of the changes proposed to the reclamation plan for the Cane Creek Mine. However, we will be unable to complete our review of the entire revised reclamation plan until the requested information is received. Again, a redlined version of the revised changes to the reclamation plan would expedite our review. If you have questions regarding this letter, or wish to schedule a meeting to discuss these comments directly, please contact me at (801) 538-5286, or Doug Jensen at (801) 538-5382. Thank you for your patience and continued cooperation in finalizing this permitting action.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
cc: Robert Jornayvaz, Intrepid Oil & Gas, LLC
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